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UNCLAS SECTION 01 OF 02 GUATEMALA 000188

SIPDIS

SENSITIVE

E.O. 12958:N/A

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SUBJECT: AMBASSADOR'S FIRST MEETING WITH G-13
REPRESENTATIVES (DONOR DIALOGUE GROUP)

1. (SBU) Summary: The Ambassador met on January 14 with members of the Donor Dialogue group (6 major bilateral donors, plus 4 multilaterals, MINUGUA, USAID, and UNDP) to discuss development cooperation and preparations for the May consultative group meeting. Ambassadors and IFI Reps queried the Ambassador on possible narcotics decertification, voicing concern that it could negatively impact on promoting the Peace Accord agenda and the Consultative Group meeting scheduled for May, as well as complicate multilateral loan review and approval processes. Spain cautioned that decertification could influence Guatemalan electoral outcomes. The Ambassador said the USG is committed to promoting peace, human rights, anti-corruption -- not just a narrow anti-drug agenda -- and described how U.S.-Central American trade negotiations would also lend support for advancing a broad agenda. He discussed the difficulty that we would have in securing Congressional ratification of a trade agreement if Guatemala was not cooperating fully in counter-narcotics efforts, and if there was not progress on human rights, corruption and the like. There was agreement to work together on a public relations strategy that would preserve the unified front and strength of the group's message before GOG and civil society. End summary.

2. (SBU) On January 14, the Ambassador, USAID Director Anders and Deputy Director Kennedy met with Ambassadors from the Netherlands, Spain, Canada, Germany, and Norway, Charge d'Affairs of Sweden, and Resident Representatives of IDB, World Bank, EU and MINUGUA. Following opening remarks by the Ambassador on U.S. policy priorities in Guatemala (improved cooperation in drug trafficking, trade negotiations, Peace Accord implementation, improvements in human rights and anti-corruption), the chair of the donor dialogue group (Dutch Ambassador Arend Pieper) welcomed the Ambassador's participation in the donor dialogue group, noting how important U.S. leadership had been to organizing the donor dialogue group, building credibility with civil society, and facilitating a common front of donors at the last Consultative Group. Ambassador Pieper expressed his hope that the donor dialogue group could again reach consensus on a group statement for the upcoming Consultative Group.

Decertification, Peace Accords, and the Upcoming Elections

3. (SBU) Discussion quickly turned to the issue of possible U.S. counter-narcotics decertification, with IDB representative Barbary asking whether the public announcement would make specific mention of involvement of high level GOG officials in drug trafficking or moneylaundering, or if the public statements would remain more general. Barbary noted that the Board members have increasingly raised the issue of corruption in loan review and approval meetings. The Canadian Ambassador asked about the timing of the U.S. decision and benchmarks for a recertification decision. The Ambassador noted that any U.S. public statement would be carefully crafted, and that countries not certified would be reviewed periodically and could be recertified when significant progress had been made against quantifiable benchmarks. The Ambassador noted that we would again review Guatemala's level of cooperation and efforts in September, along with other countries. MINUGUA Rep. Koenigs noted that if decertified, a "recertification" for Guatemala in September or October could have tremendous impact on the Guatemalan elections. The Spanish Ambassador echoed this concern, stating that a decision would have negative ("nefasto") consequences. The IDB opined that both the opposition and FRG would hope to use certification in the upcoming electoral campaign, either as a promise of future performance ("we'll get the country recertified") or as a vote of confidence (if the FRG succeeds in getting Guatemala recertified). The Ambassador noted that without a possibility of recertification, the Portillo Administration would have little incentive to make improvements, and that we would make a judgment strictly on the merits of the government's response.

4. (SBU) European countries and MINUGUA were especially concerned that U.S. emphasis on drug trafficking would sap

what little implementation capability the Portillo Administration had left, shifting resources and GOG attention away from the Peace Accords and the nine point CG agenda. The World Bank rep noted the possibility that the EU would soon release a report critical of Guatemalan progress against the CG agenda, possibly coinciding with a suspension of project funding, leading Guatemalan authorities to question the utility of a CG later this year. (NOTE: EU rep noted that a consultant's report summarizing progress against the nine point CG agenda would be presented and discussed in a meeting of EU members in early February. He noted that the EU had already discussed suspending specific programs/activities where the GOG lacked political will, and that they would soon make good on the threat giving two examples, the failure of the Government to appropriate counterpart funds for education and justice sector programs. The EU report will not be made available publicly, nor to other Embassies.) The Ambassador responded to the concern about overemphasis on drugs by detailing again the ways in which the CAFTA process could be used to advance a broader agenda, largely overlapping with Peace Accords goals.

Leveraging GOG Performance in an Election Year

15. (SBU) Spurred by MINUGUA, there was a brief discussion of various mechanisms for leveraging GOG performance during a difficult election year. MINUGUA noted several: negotiation of a new IMF stand-by agreement; the CG meeting in May; and formation of a special investigative body to look into parallel forces. U.S.-Central American trade negotiations (including pressure that could be brought by other Central American countries on Guatemala to "clean up their act") is another. The Swedish Charge noted that their insistence on a CG this year was to keep the Peace Accords front and center on the national agenda of this Administration as well as that of the opposition parties. He noted that the opposition's attention could be easily shifted to another agenda, if allowed to by the international community. The Ambassador noted that we would be supportive of the various efforts, especially the creation of the special investigative body promoted by the Human Rights Ombudsman. He noted that the U.S. was seeking ways to contribute financing, and urged other countries to provide support. (Note: The Canadian and Norwegian ambassadors told him afterward that, in view of the Ambassador's support, they would attend the January 16 launching of the proposal. End note)

A Carefully-Crafted Public Diplomacy Strategy Needed

16. (SBU) Ambassador Pieper suggested that the next meeting of the donor dialogue group focus on how individual countries and the group should respond as the media attempts to build the case that the international community is making good on conditionality expressed at the last Consultative Group to withdraw funding if progress falters. World Bank rep Somensatto suggested that it was equally important to make sure to clarify differences, if any, on member positions on bilateral versus multilateral assistance. He urged all members not to lose sight of the importance of helping this Administration sustain macro-economic stability during the election period. Somensatto also asked that the U.S. specifically, and donor group at large, express public support for the National Commission on Transparency and Corruption, so as to ensure this effort is fully supported by Guatemalans.

Comment

17. (SBU) This was a lively and useful exchange of views that brought concerns of our donor community colleagues clearly into view. Their fear that decertification will hijack the Peace Accords agenda strikes us as a bit overdrawn, and the Ambassador attempted to assuage these concerns by emphasizing that our bilateral agenda is much broader than just drug interdiction. We will remain actively engaged with this group.

HAMILTON